

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Novi Community School District		County Oakland	
Fiscal Year End 6/30/07		Opinion Date November 14, 2007		Date Audit Report Submitted to State November 15, 2007			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

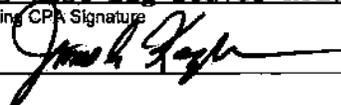
YES NO

Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Doeren Mayhew			Telephone Number (248) 244-3000	
Street Address 755 West Big Beaver Road, Suite 2300			City Troy	State: Zip MI 48084
Authorizing CPA Signature 		Printed Name James A. Koepke		License Number 1101012623

**NOVI COMMUNITY SCHOOL
DISTRICT, MICHIGAN**

FINANCIAL STATEMENTS

JUNE 30, 2007

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Independent Auditor's Report

To the Board of Education of the
Novi Community School District, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Novi Community School District, Michigan as of June 30, 2007 and for the year then ended, which collectively comprise the School District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Novi Community School District, Michigan's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Novi Community School District, Michigan as of June 30, 2007, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 15 and page 51 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

DOEREN MAYHEW

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Novi Community School District, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 14, 2007 on our consideration of the Novi Community School District, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



DOEREN MAYHEW

November 14, 2007
Troy, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The Novi Community School District's (the District) financial year is from July 1st through June 30th. Each year the District's financial records are audited by a third party independent auditor and the results are published. The audit is performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* as issued by the Governmental Accounting Standards Board (GASB). These standards require the inclusion of meaningful and useful data which broaden the reader's understanding of the District.

District Characteristics

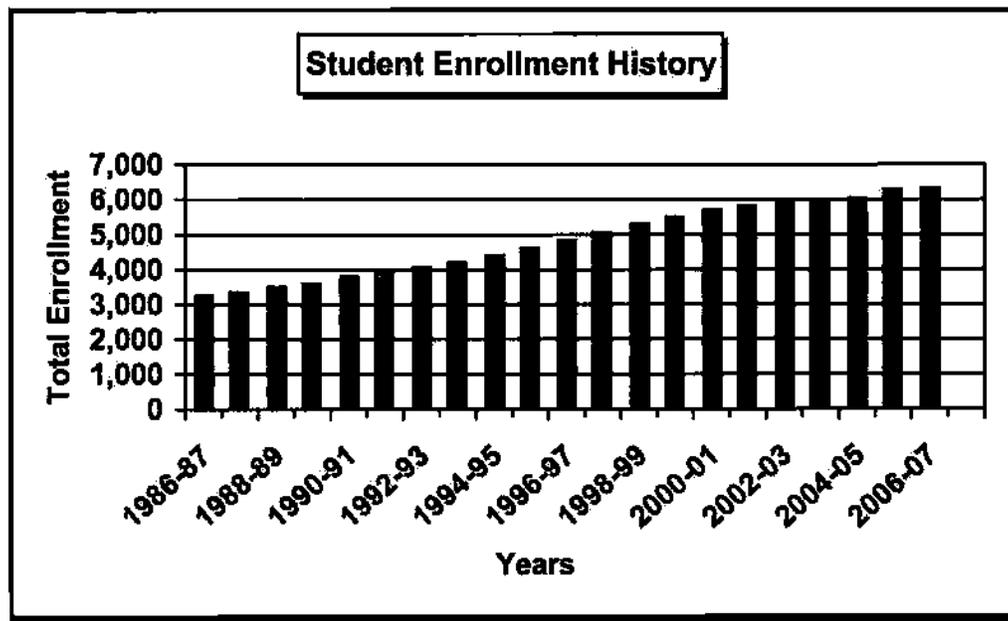
The Novi Community School District is an independent school district operating under the laws of the State of Michigan and is governed by an elected (at large) seven-member Board of Education. The District is located in southern Oakland County and encompasses 17.9 square miles with the vast majority of its area within the City of Novi except for a small parcel of land in the City of Wixom. The District has seen and continues to see growth and development of both its residential and non-residential properties.

The School District has five (5) elementary schools, grades K-4; one (1) upper elementary school, grades 5-6; one (1) middle school, grades 7-8; and one (1) high school, grades 9-12. All eligible schools are accredited by the North Central Association of Colleges and Schools (NCA) and one school, Novi High School, has achieved recognition as a National Blue Ribbon School. The District also has a pre-school building, Board of Education office, a transportation facility, and a maintenance facility.

Enrollment

As shown in the following chart the District's student population has grown from 3,303 in 1985-86 to the current (2007) population of 6,324. The projection for 2007-08 shows no change in enrollment. Enrollment projections are completed annually. In each five year interval, the District convenes a citizen's committee and performs a comprehensive enrollment projection analysis. Information used to complete this analysis consists of housing data (both current and proposed), economic factors, land availability and zoning, and the assistance of Michigan State University's analysis of the District's births and cohort survival ratios. To date, the studies have proven to be accurate in planning for future facility needs.

Enrollment - Continued



Tax Structure

Per the Tax Code of the State of Michigan, public school districts levy taxes on two types of property: Homestead (residential) and Non-Homestead (non-residential). In addition, the State of Michigan levies a fixed 6.0000 mills against these properties. The tax levies are applied against the Taxable Value of properties or approximately 50% of the market value of the properties. A complete analysis of the tax levies can be found in the "Other Supplementary Information" portion of the audit.

In 2007, the District levies against these two property classifications can be summarized below:

<u>Tax Description</u>	<u>Homestead</u>	<u>Non-Homestead</u>
General Operating	3.9250	18.9800
Sinking Fund	.4932	.4932
All Debt Millage	<u>6.2000</u>	<u>6.2000</u>
TOTAL	<u>10.6182</u>	<u>25.6732</u>

Curriculum

Novi Community School District has an extensive academic and extra-curricular program that provides comprehensive educational, athletic, and organizational opportunities to students from pre-school age through high school. An extensive curriculum, based predominantly on the Michigan Curriculum Framework and enriched with additional programs for all ages is ranked among one of the State's highest in terms of achievement levels and success rates (high school graduation, college entrance, above average scores on state and national tests).

Curriculum - Continued

No Child Left Behind (NCLB), a federal law enacted in 2001, issued directives to states to require Adequate Yearly Progress (AYP) for its districts and schools within them such that all students would meet 100% proficiency in English/language arts (reading and writing) and mathematics by 2014. States were required to establish a way to measure each district and school, and students within each school's demographic strands based on proficiency on the state's academic assessment (in Michigan, this assessment is the Michigan Educational Assessment Program, or MEAP). Michigan also established a report card system. The report cards for Novi Community Schools' eight schools reflect seven A's and one B. MEAP scores for Novi's schools remain within the top 3-5 districts in the county out of 28 school districts and always well above the state averages.

There are two important notes to add to NCLB and AYP. The first is that it is important that MEAP (a set of tests), and through its AYP, only measures a small part of the broad range of academic achievement students demonstrate. As a result, though our School District scores are consistently very high, the School District also feels compelled to advocate for a broader representation of what our students actually do. Hence, we continually showcase the superb achievements our students have contributed to our community and to their futures. All academics as well as the arts, physical fitness, etc. are described. We feel strongly that this broad representation of achievement captures the integrity of why we educate in the first place - to develop an informed citizen who participates in and supports a vibrant Democracy.

The second critical note to express here is the disregard that NCLB has on including in its reporting the educational innovations that communities, districts, and schools have implemented. These educational innovations comprehensively impact achievement through their focus on making smaller, more personally responsive learning environments for students. Examples include: schools within a school, teaming, multi-age learning, continuous progress, etc. Our District has embraced these innovations because we realize they are an investment in safety, achievement, joyfulness in learning, and an expression of our local voice in the greater conversation about the future of public schooling in the United States - an integrity we value.

There is an extensive Community Education program that features a full day and half day pre-school program, child care for students both before and after school and all summer, and programs for community residents and parents who are new to the District.

At the elementary levels, five (5) schools provide K-4 educational programming, including one building that was designed and built around a "teaming concept" and another that features a simulated "community" environment for learning.

There is one 5/6 elementary building and a 7/8 middle school, as well as a 9/12 comprehensive high school. The high school features a "four block schedule" and a new "Freshman Academic Seminar" to integrate entering students into a very large school by keeping 'big small' in the way students are handled. The high school curriculum also features an extensive Advanced Placement curriculum and special education programs and services.

Curriculum - Continued

Professional staff development is a priority in the District. Many factions of the staff (including support as well as instructional staff) are well versed in the theories of Choice Theory, and a climate of respect and a 'joy for learning' is conveyed from the Superintendent's office throughout the entire school community.

Financial Information

This section of the 2007 annual financial report presents our discussion and analysis of the School District's financial performance during the year ended 2007. Please read this in conjunction with the District's actual financial statements which immediately follow this section.

This annual report consists of three (3) parts: management's discussion and analysis (this section), the three basic financial statements, and required supplementary information. In addition, there is a section which provides other supplementary information. The statements are organized so the reader can understand the Novi Community School District financially as a whole.

The first of the basic financial statements is the *District Wide Financial Statements* which provide information about the activities of the "whole" District, presenting both an aggregate view of the District's finances and long-term view of those finances.

The second of the basic financial statements are the *Fund Financial Statements* which indicate how governmental services were financed in the short-term as well as what remains for future spending. The Fund Financial Statements look at the District's operations in more detail than the District Wide Financials by providing information about the District's most significant funds, the General Fund and the 2007 Capital Projects Fund. All other funds are presented in one column and listed as "nonmajor" funds which include: 2001 Capital Projects Fund, 2001 Sinking Fund, 1993 Debt Fund, 1997 Debt (Refinancing) Fund, 1998 Debt Fund, 2001 Debt Fund, 2002 Debt (Refinancing) Fund, 2005 Debt (Refinancing) Fund, Food Service Fund, and Athletic Fund.

The last basic financial statement is the *Fiduciary Fund Statements*. These are funds with which the District act as the trustee, or fiduciary, for the assets that belong to others. The funds in this category are comprised of all of the schools' student activity funds. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance operations.

Reporting the School District as a Whole - District-wide Financial Statements

There are two (2) types of statements under this category: the statement of net assets and the statement of activities. These statements report information about the District as a whole using accounting methods normally used in private industry. All of the current year's revenues and expenses are accounted for in these statements regardless from which fund or when they were collected or paid.

The statements show the difference between all of the District's assets and liabilities, thereby indicating the District's net asset worth, and is one way to measure the District's financial health or complete financial position. Over time, increases or decreases in the District's net assets, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District's operating results. However, it must be remembered it is not the function of a public school system to generate profits; instead, a district's worth is measured by its quality of instruction and the efficiency and effectiveness of its delivery.

The statement of net assets and statement of activities report the governmental activities for the District, which encompass all of the District's services, including instruction, support services, community services, athletics, and food service. Property taxes, state aid, and State and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

As heretofore mentioned, the District's fund financial statements provide detailed information about its most significant funds. Within these governmental funds all of the District's services are reported. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for future spending. They are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. These statements provide a detailed short-term view of the District's operations and help to determine whether or not there may be monies available in the near future to finance the District's programs.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

All of the District's fiduciary activities are reported in separate statements of fiduciary net assets. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Financial Analysis of the District as a Whole

The "Statement of Net Assets" provides the perspective of the District as a whole. The table below provides a summary of the net assets as of June 30, 2007:

	<u>2007</u>	<u>2006</u>
Assets		
Current and Other Assets	\$ 46,903,351	\$ 22,207,956
Capital Assets	<u>140,495,781</u>	<u>143,862,137</u>
Total Assets	187,399,132	166,070,093
Liabilities		
Current Liabilities	15,986,066	15,601,062
Long-term Liabilities	<u>136,831,893</u>	<u>119,397,321</u>
Total Liabilities	152,817,959	134,998,383
Net Assets		
Invested in Capital Assets, Net of Related Debt	(3,356,654)	18,059,078
Restricted	29,447,680	3,415,002
Unrestricted	<u>8,490,147</u>	<u>9,597,630</u>
Total Net Assets	<u>\$ 34,581,173</u>	<u>\$ 31,071,710</u>

The District's net assets were \$34,581,173 at June 30, 2007. Capital assets, net of related debt, totaled (\$3,356,654). This compares the original cost, less depreciation of the District's capital assets, to long-term debt used to finance the acquisition of those assets. The majority of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets of \$29,447,680 are reported separately and include those funds deposited in the 2007 Capital Projects Fund which are legally obligated to pay for the projects, as well as equity from the debt funds which are legally obligated for debt payments only and not for the day-to-day operations of the District. The remaining amount of net assets, \$8,490,147, was unrestricted. The \$8,490,147 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year-to-year.

Financial Analysis of the District as a Whole - Continued

The results of this year's operations as a whole are reported in the "Statement of Activities" (Table II, below). This table illustrates the changes in net assets for fiscal year 2007.

	<u>2007</u>	<u>2006</u>
Revenues		
Program Revenues		
Charges for services	\$ 4,456,482	\$ 4,392,870
Operating grants and contributions	1,502,754	1,468,059
General Revenues		
Property taxes	39,357,167	38,700,178
State aid	36,977,868	34,562,839
Other	<u>32,389,129</u>	<u>6,560,961</u>
Total Revenues	114,683,400	85,684,907
Expenses		
Instruction	46,653,519	44,019,697
Support services	26,034,147	25,921,282
Community services	2,329,529	2,268,024
Food services	2,549,359	2,471,610
Athletics	869,647	828,631
Principal	26,763,750	68,425
Interest on long-term debt	5,672,832	7,368,945
Buildings and additions	299,565	5,518,253
Other	<u>1,589</u>	<u>8,286</u>
Total Expenses	<u>111,173,937</u>	<u>88,473,153</u>
Increase (Decrease) in Net Assets	<u>\$ 3,509,463</u>	<u>\$ (2,788,246)</u>

As reported in the statement of activities, the revenue for all *governmental* activities this year was \$114,683,400. Certain activities were partially funded from those who benefited from the programs, such as food service, athletics, and community service (\$4,456,482); or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,502,754). The remaining "public benefit" portion of governmental activities was funded by the \$39,357,167 in property taxes, \$36,977,868 in State aid, and with other revenues (\$32,389,129) such as interest, transfers from the Oakland Intermediate School District, and general entitlements and receipts for the 2007 Capital Projects Fund. The Novi Community School District experienced an increase in net assets of \$3,509,463.

Financial Analysis of the District as a Whole - Continued

As discussed above, the net cost shows the financial burden that was placed on the State and the District's taxpayers by each of these functions. Since property taxes for operations and State aid constitute the vast majority of the District's operating revenue, the Board of Education and the Administration must annually evaluate the needs of the District and balance those needs with the availability of these two revenue sources.

The School District's Funds

The financial performance of the Novi Community School District as a whole is also reflected in its governmental funds. Looking at the individual funds helps the reader consider whether the District is being held accountable for the resources taxpayers and others provide to it and may give more insight into the District's overall financial health.

As the District completed this year, the governmental funds reported a combined fund balance of \$39,464,187, an increase of \$24,840,361 from the previous year. These changes are summarized below:

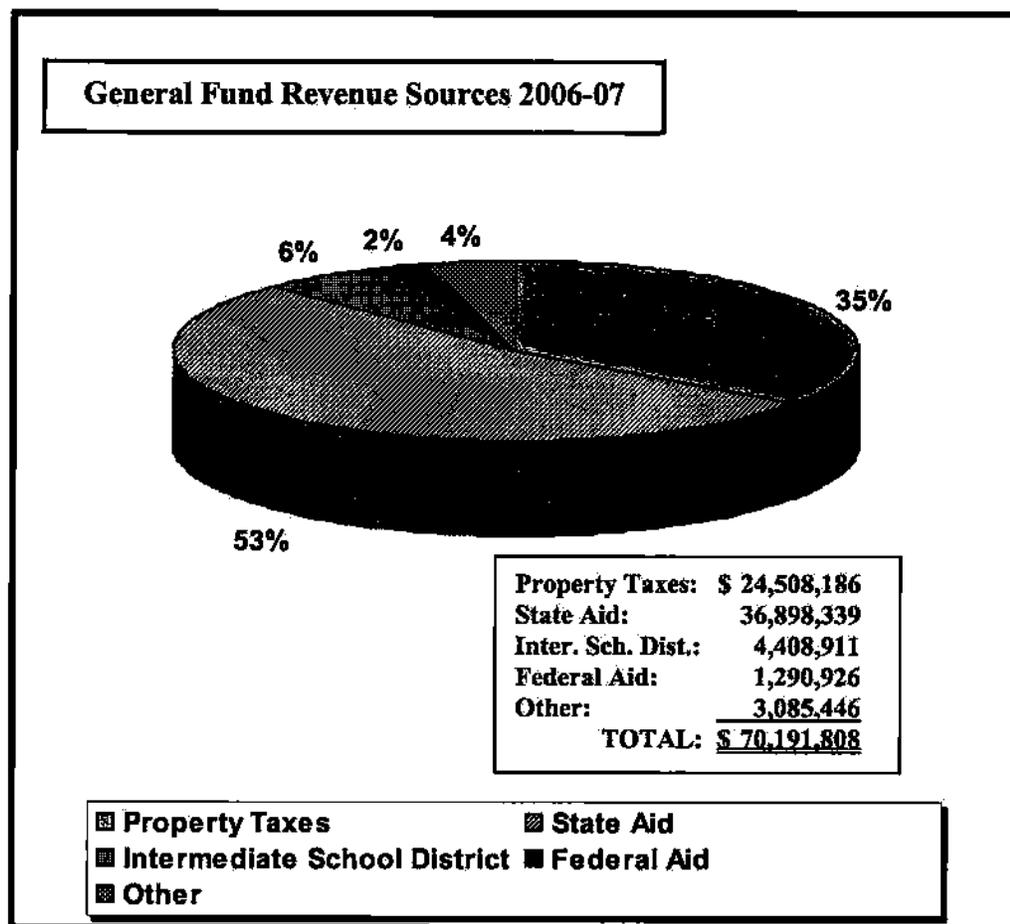
	<u>General Fund</u>	<u>2007 Capital Projects Fund</u>	<u>Other Nonmajor Govern- mental Funds</u>	<u>Total</u>
Beginning fund balances	\$ 11,050,904	\$ -	\$ 3,572,922	\$ 14,623,826
Increase (decrease)	<u>(1,265,483)</u>	<u>26,263,620</u>	<u>(157,776)</u>	<u>24,840,361</u>
Ending fund balances	<u>\$ 9,785,421</u>	<u>\$ 26,263,620</u>	<u>\$ 3,415,146</u>	<u>\$ 39,464,187</u>

The reason for the increase in equity is due primarily to receipt of funds in the 2007 Capital Projects Fund.

General Fund

The General Fund is the primary operating fund of the District, and provides all the educational services to our students. Revenues totaled \$70,191,808 and expenses totaled \$71,457,291 for a net decrease in the fund balance of \$1,265,483. As a result of this net decrease, the fund's equity decreased from \$11,050,904 in 2005-06 to the current balance of \$9,785,421. This balance is available to fund costs related to allowable school operating expense.

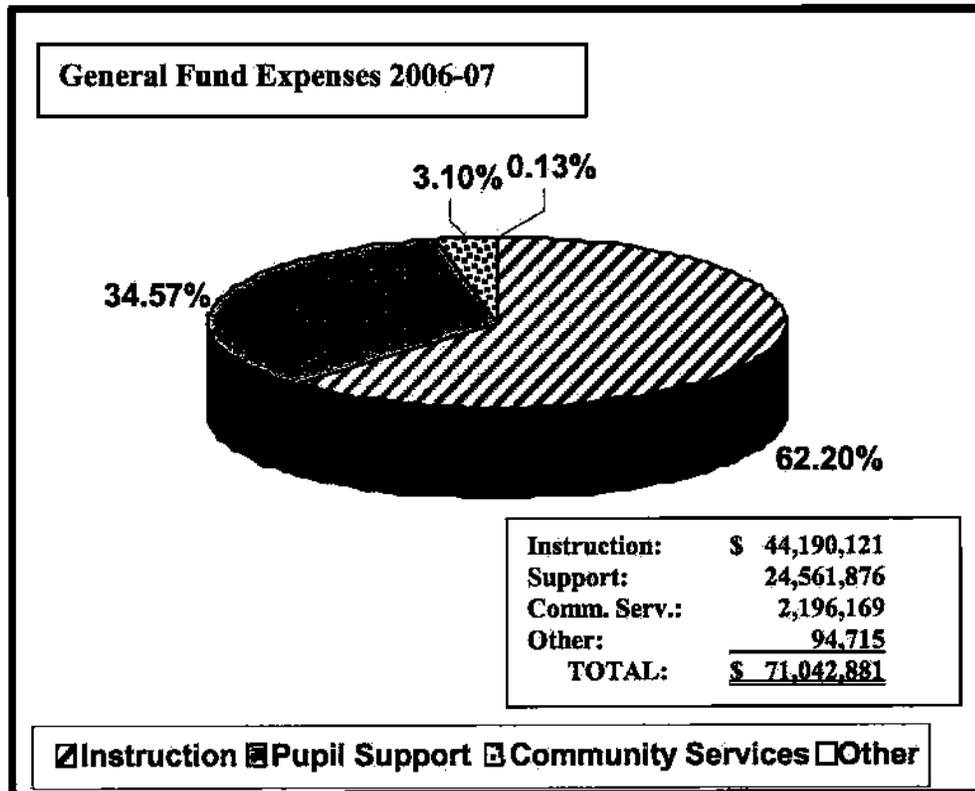
An analysis of the General Fund's revenues reveals that the District is dependant upon the State for the majority of its income. A listing of the revenue sources and their respective percentage to total income is shown on the chart below:



The General Fund expenses include those that are necessary to run the operations of the District. Basically, these expenses are categorized into four main areas: instructional services, pupil support services, community services, and other. *Instructional services* are those that are directly related to the teacher in the classroom. *Pupil support services* include those things that "support" the student body, classroom instruction and student achievement, such as media, counseling, testing, psychological, and social work services. Also under this category is all operational expenses such as utilities, insurances, custodial, transportation, and administrative. *Community services* are those expenses related to community education including community academic and recreational classes as well as early childhood programs. *Other services* include debt payments and inter-fund and inter-school district transfers.

General Fund - Continued

The chart below breaks down the General Fund's expenses in broad categories and indicates their respective percentages.



2007 Capital Projects Fund

This fund is used to pay for major construction projects within the District as indicated in a bond proposition that was passed by the voters on May 8, 2007. The bond issue generated proceeds of \$26,436,689. The bond proposition was passed for the purpose of erecting, furnishing and equipping additions to and remodeling, refurbishing and re-equipping school district buildings; acquiring and installing educational technology improvements; acquiring and installing building security systems; and developing and improving playground sites. This fund's equity is \$26,263,620 as of June 30, 2007.

Other Nonmajor Funds

The nonmajor funds consist of the 2001 Capital Projects Fund, Food Service Fund, Athletic Fund, Debt Funds, and the Sinking Fund. The 2001 Capital Projects Fund had a decrease in its equity from \$695,954 in 2006 to the current equity of \$12,034. This is primarily the result of expending these funds on numerous construction projects. The Food Service Fund had an increase in its equity amounting to \$116,688. The remaining 2007 equity of \$685,354 leaves the fund financially sound. The Athletic Fund had an operating loss of \$712,821 which is offset by a transfer from the General Fund. This is a common occurrence in Michigan school districts and, as such, is normally budgeted in the General Fund. The six Debt Funds (1993 Debt Fund, 1997 Debt Fund, 1998 Debt Fund, 2001 Debt Fund, 2002 Debt Fund, and the 2005 Debt Fund) have a combined equity of \$2,166,178 which is available for future debt obligations. This is an increase of \$31,346 from the 2006 equity position. Debt millage rates are determined annually to ensure that the District accumulates sufficient resources to pay annual bond issue related debt service. The Sinking Fund had an increase in its equity position by \$378,110 to cause the 2007 equity to be \$551,580.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and disbursements. In June of each year the original budget is adopted. This is normally based on estimates since the student count, state aid, and, oftentimes, salaries are unknown. In early winter the budget is then amended to reflect actual data available. The final amendment to the budget is then adopted near the end of the fiscal year. A schedule showing the District's original and final budget amounts compared with actual amounts is provided in the required supplementary information of these financial statements.

Capital Asset and Debt Administration

Capital Assets

By the end of 2007, the District had invested \$140,495,781 in a broad range of capital assets, including land, school buildings, athletic facilities, technology and other equipment. Table III summarizes these assets (more detailed information is found in Note 5).

<u>Item</u>	<u>Amount</u>
Land	\$ 9,607,341
Construction-in-Progress	138,852
Buildings	82,663,235
Building Improvements	35,618,168
Grounds Improvements	7,415,930
Vehicles, Equipment, and Other	<u>5,052,255</u>
Total capital assets	<u>\$140,495,781</u>

Debt

At the end of this fiscal year, the District had \$143,164,586 in bonds outstanding versus \$125,143,663 in the previous year. These bonds consisted of the following:

<u>Bond Issue</u>	<u>Bonds Outstanding</u>
1993 Bond Issue	\$ 974,586
2001 Bond Issue	15,450,000
2002 Bond Issue	24,085,000
2005 Bond Issue	11,920,000
2007 Bond Issue	64,360,000
2007 Bond Issue	<u>26,375,000</u>
Total bonds outstanding	<u>\$ 143,164,586</u>

The State limits the amount of bonded indebtedness that school districts can issue to 15% of the assessed value of all its taxable property. This amount is far below the \$388,183,989 statutorily imposed limit.

Other obligations include accrued leases on copiers, bus notes, sick leave, and severance pay. These are detailed in Note 9.

Factors Bearing on the District's Future

The Board of Education and the administration consider many factors when developing the District's budget. As mentioned earlier, the District is very dependent upon the State for its funding. Since 1995, school districts cannot levy any additional property taxes for general operating purposes; thus, the dependency upon State resources is magnified that much more. The majority of State aid that a district receives is calculated on a per pupil amount multiplied by a district's total enrollment (converted to full time equivalencies). Annually, the State legislature determines this per pupil amount. From 1995 to 2002 this amount has been helpful toward assisting the District to meet its financial obligations. In both the 2003-04 and 2004-05 fiscal years the State had not increased the per pupil allocation. This was primarily due to the weak condition of the State's economy. In 2005-06, the State increased the allocation by \$175 per child. Despite the precarious Michigan economy, the State has granted an increase of \$210 per child in 2006-07. Predictions for 2007-08 and following years are nebulous at best. However, it appears as though the State recognizes the importance of education and its impact on "job creation".

The Novi Community School District is concerned about the future lack of State funding. The District's equity is sufficient to meet current estimated reductions, but it cannot continue to meet sustained losses over a period of time. In spite of this environment, the District will strive to maintain its long-standing commitment to academic excellence and educational opportunities for students within any financial framework.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Novi Community School District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Novi Community School District, 25345 Taft Road, Novi, Michigan 48375.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (note 3)	\$ 39,600,047
Property taxes receivable - net of allowance	240,396
Other receivables	
State aid	5,794,205
Federal aid	540,001
Other	300,961
Inventories and prepaid expenses	1,137,007
Capital assets, net of accumulated depreciation (note 5)	<u>140,495,781</u>
Total assets	188,108,398
 Liabilities	
Accounts payable	2,197,810
Accrued payroll and benefits	4,942,729
Interest payable	1,322,087
Long-term liabilities (note 9)	
Long-term liabilities due within one year	7,747,257
Debt, net of premiums and discounts	136,595,924
Deferred bond premiums	3,152,595
Postemployment severance and employee benefits payable	<u>235,969</u>
Total liabilities	156,194,371
 Net Assets	
Invested in capital assets, net of related debt	(6,733,066)
Restricted for	
Specific purpose	454,268
Debt service	2,166,179
Capital assets	26,827,233
Unrestricted	<u>9,199,413</u>
Total net assets	<u>\$ 31,914,027</u>

See accompanying notes to financial statements

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

		Program Revenues		Governmental Activities
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Change in Net Assets	
Functions/Programs				
Governmental activities				
Instruction	\$ 46,653,519	\$ -	\$ 1,004,136	\$ (45,649,383)
Support services	26,034,147	8,410	286,790	(25,738,947)
Food services	2,549,359	2,161,536	211,828	(175,995)
Athletic program	869,647	86,491	-	(783,156)
Community services	2,329,529	2,200,045	-	(129,484)
Principal	3,061,652	-	-	(3,061,652)
Interest on long-term debt	5,672,832	-	-	(5,672,832)
Buildings and additions	294,573	-	-	(294,573)
Other	1,588	-	-	(1,588)
	\$ 87,466,846	\$ 4,456,482	\$ 1,502,754	(81,507,610)
General revenues				
Taxes				
Property taxes, levied for general purpose				24,401,574
Property taxes, levied for debt service				13,847,927
Property taxes, levied for capital assets				1,107,666
State aid				
Formula grants - unrestricted				33,533,125
Restricted				3,444,743
Intermediate school district				4,408,911
Investment earnings				940,455
Miscellaneous				665,526
				82,349,927
Change in Net Assets				842,317
Net Assets - July 1, 2006				31,071,710
Net Assets - June 30, 2007				\$ 31,914,027

See accompanying notes to financial statements

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

ASSETS

	<u>General Fund</u>	<u>2007 Capital Projects Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents (note 3)	\$ 9,636,646	\$ 26,404,407	\$ 3,558,994	\$ 39,600,047
Property taxes receivable - net of allowance	160,526	-	79,870	240,396
Other receivables				
State aid	5,779,187	-	15,018	5,794,205
Federal aid	513,431	-	26,570	540,001
Other	299,170	-	1,791	300,961
Due from other funds (note 6)	96,237	-	4,345	100,582
Inventories	134,903	-	38,069	172,972
Prepaid expenses	230,819	-	23,950	254,769
Total assets	<u>\$ 16,850,919</u>	<u>\$ 26,404,407</u>	<u>\$ 3,748,607</u>	<u>\$ 47,003,933</u>

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	\$ 1,970,414	\$ 140,787	\$ 86,609	\$ 2,197,810
Accrued payroll and benefits	4,930,682	-	12,047	4,942,729
Due to other funds (note 6)	-	-	100,582	100,582
Deferred property tax revenue (note 4)	164,402	-	134,223	298,625
Total liabilities	7,065,498	140,787	333,461	7,539,746

Fund Balances

Reserved for				
Inventories	134,903	-	-	134,903
Prepaid expenses	230,819	-	-	230,819
Encumbrances	454,268	-	-	454,268
Unreserved				
Designated	109,882	-	-	109,882
Designated for debt service	-	-	2,166,179	2,166,179
Designated for capital projects	-	26,263,620	563,613	26,827,233
Undesignated	8,855,549	-	685,354	9,540,903
Total fund balances	<u>9,785,421</u>	<u>26,263,620</u>	<u>3,415,146</u>	<u>39,464,187</u>
Total liabilities and fund balances	<u>\$ 16,850,919</u>	<u>\$ 26,404,407</u>	<u>\$ 3,748,607</u>	<u>\$ 47,003,933</u>

See accompanying notes to financial statements

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO GOVERNMENTAL NET ASSETS
JUNE 30, 2007

Total fund balances - governmental funds	\$ 39,464,187
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, not reported as assets in governmental funds:	
Cost of capital assets	179,266,341
Accumulated depreciation	(38,770,560)
Deferred bond issue costs recorded as an asset in the governmental activities - net of amortization	709,266
Property taxes and other miscellaneous receivables will be collected this year but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds	298,625
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds:	
Bonds payable	(143,164,586)
Deferred bond premiums	(3,376,412)
Bus loans payable	(273,536)
Capital leases payable	(414,313)
Compensated absences	(192,899)
Severance packages payable	(309,999)
Accrued interest payable is not included as a liability in governmental activities	(1,322,087)
Total net assets - governmental activities	\$ 31,914,027

See accompanying notes to financial statements

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	General Fund	2007 Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 24,508,186	\$ -	\$ 15,022,026	\$ 39,530,212
Interest/earnings on investments	540,125	10,518	389,812	940,455
Fees and charges	2,509,847	-	2,266,401	4,776,248
State aid	36,898,339	-	79,529	36,977,868
Federal aid	1,290,926	-	211,828	1,502,754
Incoming transfers - ISD	4,408,911	-	-	4,408,911
Proceeds - sale of fixed assets	35,474	-	-	35,474
Total revenues	70,191,808	10,518	17,969,596	88,171,922
Expenditures				
Current				
Instruction and instructional - related services	44,190,121	-	-	44,190,121
Support services	24,561,876	-	-	24,561,876
Community services	2,196,169	-	-	2,196,169
Food services	-	-	2,403,414	2,403,414
Athletics	-	-	819,862	819,862
Debt service				
Principal	86,099	-	6,644,077	6,730,176
Interest	8,617	-	5,531,519	5,540,136
Buildings and additions	-	140,787	935,016	1,075,803
Capital outlay	-	-	522,213	522,213
Other	-	161,488	560,329	721,817
Total expenditures	71,042,882	302,275	17,416,430	88,761,587
Excess (Deficiency) of Revenues Over Expenditures	(851,074)	(291,757)	553,166	(589,665)
Other Financing Sources (Uses)				
Loan proceeds	300,000	-	-	300,000
Payments to bond escrow agent	-	-	(69,017,101)	(69,017,101)
Proceeds from bond refunding	-	-	64,360,000	64,360,000
Premium from bond refunding	-	-	3,233,338	3,233,338
Proceeds from bond issuance	-	26,375,000	-	26,375,000
Premium from bond issuance	-	180,377	-	180,377
Payments to other governmental units -				
Subgrantee relationships only	(1,588)	-	-	(1,588)
Operating transfers (note 6)	(712,821)	-	712,821	-
Total other financing sources (uses)	(414,409)	26,555,377	(710,942)	25,430,026
Net Change in Fund Balances	(1,265,483)	26,263,620	(157,776)	24,840,361
Fund Balances - July 1, 2006	11,050,904	-	3,572,922	14,623,826
Fund Balances - June 30, 2007	\$ 9,785,421	\$ 26,263,620	\$ 3,415,146	\$ 39,464,187

See accompanying notes to financial statements

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Total net change in fund balances - governmental funds	\$	24,840,361
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Depreciation expense		(4,503,980)
Capital outlay subject to capitalization		1,303,443
The net effect of other transactions involving capital assets that decreased net assets:		
Proceeds from capital leases on buses		(300,000)
Because some property taxes and other miscellaneous revenues will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities		
		(187,511)
Some expenses are recorded in the statement of activities when incurred; they are not reported in governmental funds until paid:		
Accrued interest		(132,696)
Compensated absences		9,007
Bond issuance is not reported as financing sources on the statement of activities:		
Refund of bond issue		(64,360,000)
Bond issue		(26,375,000)
Bond premiums		(3,413,715)
Repayment of principal and issuance costs are an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt):		
Debt service principal		72,714,077
Bond issuance costs		716,825
Installment loans on buses		50,000
Capital lease expenditures		221,548
Decreases in severance liabilities are reported as expenditures when financial resources are used in the governmental funds		
		230,214
Amortization of bond premiums in the statement of activities		
		37,303
Amortization of bond issuance costs in the statement of activities		
		(7,559)
Change in net assets of governmental activities	\$	<u>842,317</u>

See accompanying notes to financial statements

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**STATEMENT OF NET ASSETS
FIDUCIARY FUNDS - TRUST AND AGENCY
JUNE 30, 2007**

Assets

Cash and cash equivalents	\$ 1,022,955
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Liabilities

Due to student groups	<u>1,022,955</u>
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Net Assets

Restricted for specific purpose	<u><u>\$ -</u></u>
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See accompanying notes to financial statements

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Significant Accounting Policies

The accounting policies of the Novi Community School District, Michigan, (the School District) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The following is a summary of the more significant policies used by the School District:

A. Reporting Entity

The School District is governed by an elected member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on application of the criteria, the entity does not contain component units.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. Substantially all interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the School District's government-wide activities are considered governmental activities.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Significant Accounting Policies - Continued

B. District-wide and Fund Financial Statements - Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, although the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide Statements

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The effect of interfund activity has been substantially eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicant for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Significant Accounting Policies - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Fund-based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are custodial in nature (assets equal liabilities) and do not report the measurement of results of operations.

The School District reports the following major governmental funds:

The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Significant Accounting Policies - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Fund-based Statements - Continued

The School District's only Fiduciary Fund is the Trust Fund, which is a nonexpendable trust fund used to account for the cash receipts and disbursements of the various student activity clubs of the School District.

Additionally, the School District reports the following nonmajor governmental fund types:

The Capital Project Fund is used to record bond proceeds and other revenue and the disbursement of money specifically designated for building construction and renovation.

The School District maintains six nonmajor governmental Debt Service Funds, which are used to account for property tax and other revenue legally restricted for payment of long-term debt.

The School District maintains two nonmajor governmental Special Revenue Funds, which account for the School District's food service and athletic activities.

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the General Fund and various Debt Service Funds is allocated to each fund using a weighted average of balance for the principal invested.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Significant Accounting Policies - Continued

D. Assets, Liabilities, and Net Assets or Equity - Continued

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds".

All property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes are levied on July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year at which time penalties and interest are assessed and the total obligation is added to county tax rolls.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The School District also receives revenue from the State to administer certain categorical educational programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received which are not expected to be expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Significant Accounting Policies - Continued

D. Assets, Liabilities, and Net Assets or Equity - Continued

Restricted Assets

The unspent bond proceeds of the Capital Projects Fund require amounts to be set aside for construction and capital asset acquisition. The property taxes levied in the Debt Service Fund are required to be set aside for future principal and interest payments on bonded debt. These amounts have been classified as restricted assets.

Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the School District as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have any infrastructure-type assets.

Buildings, improvements other than buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings	20 - 50 years
Improvements other than buildings	15 - 30 years
Equipment	5 - 20 years
Vehicles	5 - 10 years

Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Significant Accounting Policies - Continued

D. Assets, Liabilities, and Net Assets or Equity - Continued

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. In the fund financial statements, governmental fund types recognize bond proceeds, premiums and discounts, as well as bond issuance costs, during the current period.

Fund Equity

In the fund financial statements, governmental funds report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the School District's financial statements.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for all governmental funds. All annual appropriations lapse at the fiscal year end. The budget document presents information by the general and major Special Revenue Fund by function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level. State law requires the School District to have its budget in place by July 1st. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 2 - Stewardship, Compliance and Accountability - Continued

Budgetary Information - Continued

The School District increased/decreased budgeted amounts during the year in response to changes in anticipated spending for salaries, benefits, and other expenditures.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year-end. The commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Note 3 - Deposits and Investments

The School District's deposits and investments at June 30, 2007, are composed of the following:

	<u>Cash and Cash Equivalents</u>
Demand deposits and certificates of deposit	\$ 7,331,034
Investments in Michigan School District - Liquid Asset Fund (CADRE)	32,265,309
Petty cash and cash on hand	<u>3,704</u>
Total	<u>\$ 39,600,047</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 3 - Deposits and Investments - Continued

Deposits

At June 30, 2007, the carrying amount of cash and cash equivalents was \$40,623,001, and the bank balance was \$41,794,217. Of that amount, \$500,000 was covered by Federal Depository Insurance and \$41,294,217 was uninsured and uncollateralized.

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the School District evaluates each financial institution it deposits School District funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

The School District is authorized by Michigan Public Act 132 of 1986 to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

Investments in the School District's investment pools are stated at market value. At June 30, 2007, the School District had no investment balances.

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue consists of property taxes and fees for services received prior to meeting spending restrictions or providing the related services.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Note 5 - Capital Assets

Capital assets activity for the School District's governmental activities was as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Reductions/ Disposals</u>	<u>Balance June 30, 2007</u>
Assets not being depreciated:				
Land	\$ 9,607,341	\$ -	\$ -	\$ 9,607,341
Construction-in-progress	434,231	138,852	(434,231)	138,852
Assets being depreciated:				
Buildings	99,663,408	-	(51,000)	99,612,408
Building improvements	43,699,536	706,074	(5,000)	44,400,610
Ground improvements	10,783,350	81,600	(30,200)	10,834,750
Equipment	11,330,765	328,832	(25,000)	11,634,597
Buses and equipment	2,548,260	316,495	(270,054)	2,594,701
Vehicles	349,447	-	-	349,447
Other	93,634	-	-	93,634
Subtotal	<u>168,468,400</u>	<u>1,433,001</u>	<u>(381,254)</u>	<u>169,520,147</u>
Accumulated depreciation:				
Buildings	15,313,590	1,686,583	(51,000)	16,949,173
Building improvements	7,798,087	989,355	(5,000)	8,782,442
Ground improvements	2,855,747	593,273	(30,200)	3,418,820
Equipment	6,752,764	798,841	(25,000)	7,526,605
Buses and equipment	1,603,870	419,824	(270,054)	1,753,640
Vehicles	284,786	12,372	-	297,158
Other	38,991	3,730	-	42,721
Subtotal	<u>34,647,835</u>	<u>4,503,978</u>	<u>(381,254)</u>	<u>38,770,559</u>
Net capital assets being depreciated	<u>133,820,565</u>	<u>(3,070,977)</u>	<u>-</u>	<u>130,749,588</u>
Net capital assets	<u>\$143,862,137</u>	<u>\$ (2,932,125)</u>	<u>\$ (434,231)</u>	<u>\$140,495,781</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 5 - Capital Assets - Continued

Depreciation expense was charged to specific activities of the School District as follows:

Governmental activities:

Instruction	\$ 2,683,396
Support services	1,491,492
Food services	145,945
Athletics	49,785
Community services	<u>133,360</u>
Total governmental activities	<u>\$ 4,503,978</u>

Construction Commitments

The School District has active construction projects in the Sinking Fund. At year end, the School District's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
ESB Roof re-spec	\$ 3,098	\$ 29,750
Building Canopies	<u>89,245</u>	<u>177,155</u>
Total	<u>\$ 92,343</u>	<u>\$ 206,905</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 6 - Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

Funds Due To	Funds Due From Nonmajor Governmental Funds
General Fund	\$ 96,237
Nonmajor Governmental Funds	4,345
Total	\$ 100,582

The composition of interfund balances is as follows:

	Transfers - Out General Fund
Transfers - in: Nonmajor Governmental Funds	\$ 712,821

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 7 - Defined Benefit Pension Plan and Postretirement Benefits

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), which is a cost-sharing multiple employer, state-wide pension plan governed by the State of Michigan. The plan provides retirement, health and death and disability benefits. Public Act Number 136 of 1945, recodified and currently operating under the provisions of Public Act Number 300 of 1980, as amended assigns the authority to establish and amend the benefit provisions of the MPSERS plan document. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Office of Retirement Services, Michigan Public School Employees' Retirement Systems, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (517) 322-5103.

Funding Policy

The contribution requirements of the School District are established by the State of Michigan statutes and may be amended only by action of the State of Michigan Legislature. The School District is required to contribute at an actuarially determined rate. The required employer contribution rates for retirement benefits, including pension and health care benefits for the fiscal years ended September 30, 2007 and 2006 were 17.74% and 16.34%, respectively, of annual covered payroll. The actual contribution rates for pension benefits for the fiscal years ended September 30, 2007 and 2006 were 5.49% and 5.47%, respectively. The fiscal year 2006 annual covered payroll is not yet available.

The District is not responsible for the payment of retirement benefits; it is the responsibility of the State of Michigan.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to 10 percent of the monthly premium amount for the dental and vision coverages. Retirees who are not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 8 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District participates in the Middle Cities Risk Management Trust risk pool for claims relating to property liability, and errors and omissions; the School District is partially insured for medical benefits provided to the employees and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 9 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include installment loans, compensated absences, and severance benefits.

Long-term obligation activity can be summarized as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Bonds	\$125,143,663	\$ 90,735,000	\$ 72,714,077	\$ 143,164,586	\$ 6,959,586
Other obligations	<u>1,401,516</u>	<u>3,713,715</u>	<u>548,072</u>	<u>4,567,159</u>	<u>787,671</u>
Total governmental activities	<u>\$126,545,179</u>	<u>\$ 94,448,715</u>	<u>\$ 73,262,149</u>	<u>\$ 147,731,745</u>	<u>\$ 7,747,257</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Note 9 - Long-Term Debt - Continued

Total long-term debt at June 30, 2007, consists of the following:

Bonds Payable

1993 bond issue - original amount	\$ 31,898,736
Less: Bonds paid in prior years	29,805,073
Bonds paid May 1, 2007	<u>1,119,077</u>
Bonds outstanding - June 30, 2007	<u>\$ 974,586</u>

Bonds payable are as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2008	6.250	<u>\$ 1,515,414</u>	<u>\$ 974,586</u>	<u>\$ 2,490,000</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 9 - Long-Term Debt - Continued

Bonds Payable - Continued

1997 bond issue - original amount	\$ 19,190,000
Less: Bonds paid in prior years	3,810,000
Bonds paid May 1, 2007	85,000
Bonds refinanced	<u>15,295,000</u>
Bonds outstanding - June 30, 2007	<u>\$ -</u>
1998 bond issue - original amount	\$ 17,300,000
Less: Bonds paid in prior years	16,335,000
Bonds paid May 1, 2007	<u>965,000</u>
Bonds outstanding - June 30, 2007	<u>\$ -</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 9 - Long-Term Debt - Continued

Bonds Payable - Continued

2001 bond issue - original amount	\$ 75,640,000
Less: Bonds paid in prior years	6,385,000
Bonds paid May 1, 2007	3,030,000
Bonds refinanced	<u>50,775,000</u>
 Bonds outstanding - June 30, 2007	 <u>\$ 15,450,000</u>

Bonds payable are as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2008	4.125	\$ 637,312	\$ 3,300,000	\$ 3,937,312
2009	4.125	501,188	3,875,000	4,376,188
2010	4.125	341,344	4,050,000	4,391,344
2011	5.125	<u>174,282</u>	<u>4,225,000</u>	<u>4,399,282</u>
		<u>\$ 1,654,126</u>	<u>\$ 15,450,000</u>	<u>\$ 17,104,126</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Note 9 - Long-Term Debt - Continued

Bonds Payable - Continued

2002 bond issue - original amount	\$ 28,460,000
Less: Bonds paid in prior years	2,930,000
Bonds paid May 1, 2007	<u>1,445,000</u>
Bonds outstanding - June 30, 2007	<u>\$ 24,085,000</u>

Bonds payable are as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2008	5.000	\$ 1,019,858	\$ 1,615,000	\$ 2,634,858
2009	3.000	939,108	1,850,000	2,789,108
2010	3.150	883,608	1,815,000	2,698,608
2011	4.000	826,436	1,785,000	2,611,436
2012	3.350	755,036	1,770,000	2,525,036
2013	5.000	695,740	1,740,000	2,435,740
2014	3.700	608,740	1,740,000	2,348,740
2015	4.000	544,360	1,715,000	2,259,360
2016	4.000	475,760	1,700,000	2,175,760
2017	5.000	407,760	1,680,000	2,087,760
2018	5.000	323,760	1,675,000	1,998,760
2019	5.000	240,010	1,670,000	1,910,010
2020	5.000	156,510	1,665,000	1,821,510
2021	4.000	<u>73,260</u>	<u>1,665,000</u>	<u>1,738,260</u>
		<u>\$ 7,949,946</u>	<u>\$ 24,085,000</u>	<u>\$ 32,034,946</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Note 9 - Long-Term Debt - Continued

Bonds Payable - Continued

2005 bond issue - original amount	\$ 11,920,000
Less: Bonds paid in prior years	-
Bonds paid May 1, 2007	-
 Bonds outstanding - June 30, 2007	 \$ 11,920,000

Bonds payable are as follows:

Year	Rate	Interest	Principal	Total
2008	3.000	\$ 502,038	\$ 1,070,000	\$ 1,572,038
2009	3.000	469,938	1,075,000	1,544,938
2010	3.500	437,688	1,075,000	1,512,688
2011	3.500	400,063	1,075,000	1,475,063
2012	3.875	362,438	1,075,000	1,437,438
2013	5.000	320,781	1,075,000	1,395,781
2014	4.375	267,031	1,075,000	1,342,031
2015	5.000	220,000	1,100,000	1,320,000
2016	5.000	165,000	1,100,000	1,265,000
2017	5.000	110,000	1,100,000	1,210,000
2018	5.000	54,998	1,100,000	1,154,998
		\$ 3,309,975	\$ 11,920,000	\$ 15,229,975

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 9 - Long-Term Debt - Continued

Bonds Payable - Continued

2007 Refinanced bond issue - original amount	\$ 64,360,000
Less: Bonds paid in prior years	-
Bonds paid May 1, 2007	-
 Bonds outstanding - June 30, 2007	 \$ 64,360,000

Bonds payable are as follows:

Year	Rate	Interest	Principal	Total
2008	4.000	\$ 3,278,463	\$ -	\$ 3,278,463
2009	4.000	2,995,550	875,000	3,870,550
2010	4.000	2,960,550	1,300,000	4,260,550
2011	4.000	2,908,550	1,475,000	4,383,550
2012	4.000	2,849,550	5,845,000	8,694,550
2013	4.000	2,557,300	5,905,000	8,462,300
2014	4.000	2,262,050	5,970,000	8,232,050
2015	4.000	1,963,550	6,025,000	7,988,550
2016	4.000	1,662,300	6,075,000	7,737,300
2017	4.000	1,358,550	6,135,000	7,493,550
2018	4.000	1,051,800	6,160,000	7,211,800
2019	5.000	743,800	4,725,000	5,468,800
2020	4.250	554,800	4,670,000	5,224,800
2021	4.250	368,000	4,615,000	4,983,000
2022	5.000	183,400	4,585,000	4,768,400
		 \$ 27,698,213	 \$ 64,360,000	 \$ 92,058,213

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Note 9 - Long-Term Debt - Continued

Bonds Payable - Continued

2007 bond issue - original amount	\$ 26,375,000
Less: Bonds paid in prior years	-
Bonds paid May 1, 2007	-
Bonds outstanding - June 30, 2007	\$ 26,375,000

Bonds payable are as follows:

Year	Rate	Interest	Principal	Total
2008	4.000	\$ 979,437	\$ -	\$ 979,437
2009	4.000	1,163,688	225,000	1,388,688
2010	4.000	1,154,688	500,000	1,654,688
2011	4.000	1,134,688	700,000	1,834,688
2012	4.000	1,106,688	925,000	2,031,688
2013	4.000	1,069,688	1,150,000	2,219,688
2014	4.000	1,023,688	1,200,000	2,223,688
2015	4.000	975,688	1,275,000	2,250,688
2016	4.000	924,688	1,325,000	2,249,688
2017	4.000	871,688	1,375,000	2,246,688
2018	4.000	816,688	1,425,000	2,241,688
2019	5.000	759,688	1,500,000	2,259,688
2020	4.250	684,688	1,575,000	2,259,688
2021	4.250	617,750	1,650,000	2,267,750
2022	5.000	547,626	1,775,000	2,322,626
2023	5.000	458,876	1,875,000	2,333,876
2024	5.000	365,126	1,925,000	2,290,126
2025	4.500	268,876	1,975,000	2,243,876
2026	4.500	180,000	2,000,000	2,180,000
2027	4.500	90,000	2,000,000	2,090,000
		\$ 15,193,947	\$ 26,375,000	\$ 41,568,947

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 9 - Long-Term Debt - Continued

The annual requirements to service the bonds outstanding to maturity, including both principal and interest, are as follows:

<u>Year Ending June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 6,959,586	\$ 7,932,522	\$ 14,892,108
2009	7,900,000	6,069,472	13,969,472
2010	8,740,000	5,777,878	14,517,878
2011	9,260,000	5,444,019	14,704,019
2012	9,615,000	5,073,712	14,688,712
2013 - 2017	50,460,000	18,484,362	68,944,362
2018 - 2022	40,455,000	7,176,775	47,631,775
2023 - 2027	9,775,000	1,362,878	11,137,878
Total	<u>\$ 143,164,586</u>	<u>\$ 57,321,618</u>	<u>\$200,486,204</u>

Capital Leases

The School District leases copy machines under separate capital lease arrangements in April and October 2003. The leases call for monthly payments of \$16,505 including interest through March 2008 and \$466 including interest through August 2009.

The minimum future lease payments under the capital lease obligations as of June 30, 2007 are as follows:

<u>Year Ending June 30th:</u>	<u>Total</u>
2008	\$ 154,139
2009	<u>932</u>
Total minimum lease payments	155,071
Less portion representing interest	<u>4,660</u>
Present value of net minimum lease payments	<u>\$ 150,411</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 9 - Long-Term Debt - Continued

Capital Leases - Continued

The School District entered into a Lease Purchase Agreement for the purchase of three (3) school buses. The lease calls for annual payments of \$38,826 including interest through 2008.

The minimum future lease payment under the capital lease obligation as of June 30, 2007 is as follows:

<u>Year Ending June 30th:</u>	<u>Total</u>
2008	\$ 38,826
Less portion representing interest	<u>1,389</u>
Present value of net minimum lease payment	<u>\$ 37,437</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 9 - Long-Term Debt - Continued

Capital Leases - Continued

The School District entered into a Lease Purchase Agreement for the purchase of four (4) school buses. The lease calls for annual payments ranging from \$52,120 to \$58,480, including interest, through 2011.

The minimum future lease payments under the capital lease obligations as of June 30, 2007 are as follows:

<u>Year Ending June 30th:</u>	<u>Total</u>
2008	\$ 58,480
2009	56,360
2010	54,240
2011	<u>52,120</u>
Total minimum lease payments	221,200
Less portion representing interest	<u>21,200</u>
Present value of net minimum lease payments	<u>\$ 200,000</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 9 - Long-Term Debt - Continued

Capital Leases - Continued

The School District entered into a Lease Purchase Agreement for the purchase of five (5) school buses. The lease calls for annual payments ranging from \$62,469 to \$70,428, including interest, through 2012.

The minimum future lease payments under the capital lease obligations as of June 30, 2007 are as follows:

<u>Year Ending June 30th:</u>	<u>Total</u>
2008	\$ 70,428
2009	69,878
2010	67,408
2011	64,939
2012	<u>62,469</u>
Total minimum lease payments	335,122
Less portion representing interest	<u>35,122</u>
Present value of net minimum lease payments	<u>\$ 300,000</u>

Other Long-Term Obligations

Other long-term obligations consist of the following:

Severance liability	\$ 310,000
Compensated absences liability	<u>192,899</u>
Total	<u>\$ 502,899</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 9 - Long-Term Debt - Continued

Advance Refundings

During the year, the School District issued \$64,360,000 in general obligation bonds with an average interest rate of 4.5%. The proceeds of these bonds were used to advance refund \$15,295,000 of the outstanding 1997 Refunding bonds with an average interest rate of 5.04% and \$50,775,000 of the outstanding 2001 School Building and Site bonds with an average interest rate of 4.58%. The net proceeds (after underwriting, insurance and other issuance costs) were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the original bonds. As a result, the portion of the bonds that were refunded is considered to be defeased and the liability for those bonds has been removed from the School District's long-term obligations.

Note 10 - Capital Projects Funds

The 2001 Capital Projects Fund includes activities funded with bonds issued after May 1, 1994. The 2001 Sinking Fund includes capital project activities funded by a .5 millage rate. The 2007 Capital Projects Fund includes activities funded with bonds issued after June 28, 2007. The following is a summary of the revenues and expenditures in the 2001 Capital Projects Fund, the 2001 Sinking Fund, and the 2007 Capital Projects Fund from inception of the funds through the current fiscal year:

	2001 Sinking Fund	2001 Capital Projects Fund	2007 Capital Projects Fund
Revenues	\$ 5,771,121	\$ 80,358,441	\$ 26,565,895
Expenditures	5,219,541	80,346,407	302,275

For the 2001 and 2007 Capital Projects Funds and 2001 Sinking Fund, the School District has complied with the applicable provisions of Sections 1351(a) of the Revised School Code.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Note 11 - Contingent Liabilities

The School District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits as described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*. The audits of these programs for and including the year ended June 30, 2007, have been conducted and reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the School District expects such amounts, if any, to be immaterial.

Note 12 - Governmental Regulation

Substantially all of the School District's facilities are subject to federal, state, and local provisions regulating the discharge of materials into the environment. Compliance with these provisions has not had, nor does the School District expect such compliance to have, any material effect upon the capital expenditures, net revenue in excess of expenditures, or financial condition of the School District. Management believes that its current practices and procedures for the control and disposition of such wastes comply with applicable federal, state, and local requirements.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 13 - Compensated Absences

Teachers are provided with 15 sick days per year. An unlimited number of days can be accumulated. Upon retirement, the School District will reimburse a maximum of 35 days at rates ranging from \$50 to \$70 per day. Eligible teachers must have ten or more years of service in the School District and have not used more than six paid (sick) leave allowance days during five of the ten years preceding the severance of employment. In addition, each eligible teacher must have accumulated at least 80 days in their sick leave allowance bank.

Secretaries are provided with 15 sick days per year. An unlimited number of days can be accumulated. Upon retirement, the School District will reimburse a maximum of 35 days at rates ranging from \$20 to \$40 per day. Eligible secretaries must have ten or more years of service in the School District and have not used more than six paid (sick) leave allowance days during five of the ten years preceding the severance of employment. In addition, each eligible secretary must have accumulated at least 130 days in their sick leave allowance bank.

Custodians are provided with 15 sick days per year. An unlimited number of days can be accumulated. Upon retirement, the School District will reimburse a maximum of 50 days at the custodian's daily rate. Eligible custodians must have ten or more years of service in the School District and have accumulated at least 50 days in their sick leave allowance bank.

Bus drivers are provided with 15 sick days per year. An unlimited number of days can be accumulated. Upon retirement, the School District will reimburse accumulated days exceeding 100 at the rate of 50% of the average daily rate of pay at the time of retirement. Eligible bus drivers must have ten or more years of service in the School District and have accumulated at least 100 days in their sick leave allowance bank.

REQUIRED SUPPLEMENTARY INFORMATION

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under) Final Budget</u>
Revenues				
Local sources				
Taxes	\$ 25,091,083	\$ 24,781,434	\$ 24,508,186	\$ (273,248)
Interest	255,000	255,000	540,125	285,125
Other sources	2,834,361	2,841,262	2,509,847	(331,415)
State sources - state school aid				
Restricted	2,749,972	3,095,187	3,444,743	349,556
Unrestricted	33,046,299	33,095,972	33,453,596	357,624
Federal sources				
Restricted grants	1,281,058	1,396,801	1,290,926	(105,875)
Payments from other schools and intermediate school districts	4,640,446	4,356,503	4,408,911	52,408
Proceeds from sale of fixed assets	-	-	35,474	35,474
	<u>69,898,219</u>	<u>69,822,159</u>	<u>70,191,808</u>	<u>369,649</u>
Total revenues				
Expenditures				
Instructional	45,067,965	44,635,568	43,635,356	(1,000,212)
Supporting services	25,375,236	24,626,460	24,561,876	(64,584)
Community services	2,209,358	2,289,694	2,196,169	(93,525)
	<u>72,652,559</u>	<u>71,551,722</u>	<u>70,393,401</u>	<u>(1,158,321)</u>
Total expenditures				
Other Financing Sources (Uses)				
Other financing sources	-	-	300,000	300,000
Operating transfers - out	(774,004)	(761,127)	(712,821)	48,306
Payments to other governmental units - Subgrantee relationships only	-	(17,254)	(1,588)	15,666
Payments to other governmental units	(565,880)	(565,880)	(554,765)	11,115
Principal and interest payments on loans	(105,077)	(94,716)	(94,716)	-
	<u>(1,444,961)</u>	<u>(1,438,977)</u>	<u>(1,063,890)</u>	<u>375,087</u>
Total other financing sources (uses)				
Net Change in Fund Balance	(4,199,301)	(3,168,540)	(1,265,483)	(1,903,057)
Fund Balance - July 1, 2006	<u>11,050,904</u>	<u>11,050,904</u>	<u>11,050,904</u>	<u>-</u>
Fund Balance - June 30, 2007	<u>\$ 6,851,603</u>	<u>\$ 7,882,364</u>	<u>\$ 9,785,421</u>	<u>\$ (1,903,057)</u>

OTHER SUPPLEMENTARY INFORMATION

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**OTHER SUPPLEMENTARY INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

ASSETS

	Special Revenue Funds		Debt Service Funds	
	Cafeteria Fund	Athletic Fund	1993 Debt Fund	1997 Debt Fund
Cash and cash equivalents	\$ 750,841	\$ -	\$ 458,978	\$ 28,921
Receivables				
Accounts	43,228	-	32	2
Taxes	-	-	16,961	5,663
Due from other funds	-	4,345	-	-
Inventories	38,069	-	-	-
Prepaid expenses	23,950	-	-	-
Total assets	<u>\$ 856,088</u>	<u>\$ 4,345</u>	<u>\$ 475,971</u>	<u>\$ 34,586</u>

LIABILITIES AND FUND BALANCES

Salaries payable	\$ 12,047	\$ -	\$ -	\$ -
Accounts payable	4,878	3,219	-	-
Deferred revenue	53,227	1,126	16,961	5,663
Due to other funds	100,582	-	-	-
Total liabilities	170,734	4,345	16,961	5,663
Fund balances	685,354	-	459,010	28,923
Total liabilities and fund balances	<u>\$ 856,088</u>	<u>\$ 4,345</u>	<u>\$ 475,971</u>	<u>\$ 34,586</u>

Debt Service Funds				Capital Projects Funds		Total
1998 Debt Fund	2001 Debt Fund	2002 Debt Fund	2005 Debt Fund	2001 Capital Projects Fund	Sinking Fund	
\$ 338,656	\$ 292,511	\$ 685,704	\$ 361,257	\$ 55,680	\$ 586,446	\$ 3,558,994
24	20	48	25	-	-	43,379
7,175	29,050	14,132	1,464	-	5,425	79,870
-	-	-	-	-	-	4,345
-	-	-	-	-	-	38,069
-	-	-	-	-	-	23,950
<u>\$ 345,855</u>	<u>\$ 321,581</u>	<u>\$ 699,884</u>	<u>\$ 362,746</u>	<u>\$ 55,680</u>	<u>\$ 591,871</u>	<u>\$ 3,748,607</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,047
-	-	-	-	43,646	34,866	86,609
7,175	29,050	14,132	1,464	-	5,425	134,223
-	-	-	-	-	-	100,582
7,175	29,050	14,132	1,464	43,646	40,291	333,461
338,680	292,531	685,752	361,282	12,034	551,580	3,415,146
<u>\$ 345,855</u>	<u>\$ 321,581</u>	<u>\$ 699,884</u>	<u>\$ 362,746</u>	<u>\$ 55,680</u>	<u>\$ 591,871</u>	<u>\$ 3,748,607</u>

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**OTHER SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	
	<u>Cafeteria Fund</u>	<u>Athletic Fund</u>	<u>1993 Debt Fund</u>	<u>1997 Debt Fund</u>
Revenues				
Local sources				
Taxes	\$ -	\$ -	\$ 2,666,838	\$ 966,360
Interest	69,417	-	59,864	22,632
Cafeteria sales	2,159,328	-	-	-
Other sources	-	107,041	-	-
State sources - state school aid	79,529	-	-	-
Federal sources	211,828	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	2,520,102	107,041	2,726,702	988,992
Expenditures				
Supporting services	2,403,414	819,862	-	-
Buildings and additions	-	-	-	-
Capital outlay	-	-	-	-
Principal	-	-	1,119,077	85,000
Interest and fees	-	-	1,553,923	393,908
Other	-	-	-	119,286
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	2,403,414	819,862	2,673,000	598,194
Excess of Revenues Over (Under)				
Expenditures	116,688	(712,821)	53,702	390,798
Other Financing Sources (Uses)				
Payments to bond escrow agent	-	-	-	(15,606,875)
Proceeds from bond refunding	-	-	-	14,105,000
Premium from bond refunding	-	-	-	919,561
Operating transfers - in	-	712,821	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	712,821	-	(582,314)
Net Change in Fund Balances	116,688	-	53,702	(191,516)
Fund Balances - July 1, 2006	<hr/> 568,666	<hr/> -	<hr/> 405,308	<hr/> 220,439
Fund Balances - June 30, 2007	<u>\$ 685,354</u>	<u>\$ -</u>	<u>\$ 459,010</u>	<u>\$ 28,923</u>

Debt Service Funds				Capital Projects Funds		Total
1998 Debt Fund	2001 Debt Fund	2002 Debt Fund	2005 Debt Fund	2001 Capital Projects Fund	Sinking Fund	
\$ 1,059,601	\$ 6,354,535	\$ 2,187,308	\$ 675,864	\$ -	\$ 1,111,520	\$ 15,022,026
34,169	75,954	68,583	19,402	14,183	25,608	389,812
-	-	-	-	-	-	2,159,328
32	-	-	-	-	-	107,073
-	-	-	-	-	-	79,529
-	-	-	-	-	-	211,828
<u>1,093,802</u>	<u>6,430,489</u>	<u>2,255,891</u>	<u>695,266</u>	<u>14,183</u>	<u>1,137,128</u>	<u>17,969,596</u>
-	-	-	-	-	-	3,223,276
-	-	-	-	175,998	759,018	935,016
-	-	-	-	522,213	-	522,213
965,000	3,030,000	1,445,000	-	-	-	6,644,077
43,725	1,981,427	1,056,257	502,279	-	-	5,531,519
-	441,151	-	-	(108)	-	560,329
<u>1,008,725</u>	<u>5,452,578</u>	<u>2,501,257</u>	<u>502,279</u>	<u>698,103</u>	<u>759,018</u>	<u>17,416,430</u>
85,077	977,911	(245,366)	192,987	(683,920)	378,110	553,166
-	(53,410,226)	-	-	-	-	(69,017,101)
-	50,255,000	-	-	-	-	64,360,000
-	2,313,777	-	-	-	-	3,233,338
-	-	-	-	-	-	712,821
<u>-</u>	<u>(841,449)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(710,942)</u>
85,077	136,462	(245,366)	192,987	(683,920)	378,110	(157,776)
<u>253,603</u>	<u>156,069</u>	<u>931,118</u>	<u>168,295</u>	<u>695,954</u>	<u>173,470</u>	<u>3,572,922</u>
<u>\$ 338,680</u>	<u>\$ 292,531</u>	<u>\$ 685,752</u>	<u>\$ 361,282</u>	<u>\$ 12,034</u>	<u>\$ 551,580</u>	<u>\$ 3,415,146</u>

**ANALYSIS OF 2006 TAX LEVIES
AND
SUMMARY OF DELINQUENT TAXES**

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**ANALYSIS OF 2006 TAX LEVIES
FOR THE YEAR ENDED JUNE 30, 2007**

Tax Rates:

General Fund

Homestead

Hold Harmless	2.9450
Recreational	0.9800
Sinking Fund	0.4932
State Millage	6.0000

Total homestead 10.4182

Non-Homestead

General Operating	18.0000
Recreational	0.9800
Sinking Fund	0.4932
State Millage	6.0000

Total non-homestead 25.4732

Debt Fund

1993 Debt	1.2000
1997 Debt	0.4400
1998 Debt	0.4700
2001 Debt	2.8200
2002 Debt	0.9700
2005 Debt	0.3000

Total debt fund 6.2000

Total tax rate - Homestead 16.6182

Total tax rate - Non-Homestead 31.6732

Taxable Values:

City of Novi	\$ 2,266,498,590
City of Wixom	2,393,170

Total taxable values \$ 2,268,891,760

	Operating	Sinking Fund	Debt	Total
Taxes Levied				
City of Novi	\$ 24,445,392	\$ 1,110,143	\$ 13,892,374	\$ 39,447,909
City of Wixom	45,422	1,180	14,838	61,440
Total taxes levied	24,490,814	1,111,323	13,907,212	39,509,349
Taxes Collected				
City of Novi	24,406,870	1,108,872	13,875,705	39,391,447
City of Wixom	45,300	1,177	14,798	61,275
Total taxes collected	24,452,170	1,110,049	13,890,503	39,452,722
Delinquent Taxes				
City of Novi	\$ 38,522	\$ 1,271	\$ 16,669	\$ 56,462
City of Wixom	\$ 122	\$ 3	\$ 40	\$ 165

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SUMMARY OF DELINQUENT TAXES
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Debt Fund</u>	<u>Total</u>
Balance - July 1, 2006	\$ 747,001	\$ 27,167	\$ 388,157	\$ 1,162,325
Additions				
2006 delinquent taxes	38,644	1,274	16,709	56,627
Deductions				
Delinquent tax collections	535,879	19,359	271,135	826,373
Prior year taxes written-off	<u>89,240</u>	<u>3,657</u>	<u>59,286</u>	<u>152,183</u>
Balance - June 30, 2007	<u>\$ 160,526</u>	<u>\$ 5,425</u>	<u>\$ 74,445</u>	<u>\$ 240,396</u>

**NOVI COMMUNITY SCHOOL
DISTRICT, MICHIGAN**

**SINGLE AUDIT
REPORTING PACKAGE**

JUNE 30, 2007



To the Board of Education of the
Novi Community School District, Michigan

We have audited the financial statements of the governmental activities, major funds, and the aggregate remaining fund information of the Novi Community School District, Michigan as of and for the year ended June 30, 2007, and have issued our report thereon dated November 14, 2007, which was unqualified. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

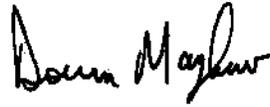
As part of obtaining reasonable assurance about whether the financial statements of the governmental activities, major funds, and the aggregate remaining fund information of the Novi Community School District, Michigan are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Novi Community School District, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

DOEREN MAYHEW

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Doeren Mayhew". The signature is written in a cursive style with a large initial 'D'.

DOEREN MAYHEW

November 14, 2007
Troy, Michigan



To the Board of Education of the
Novi Community School District, Michigan

Compliance

We have audited the compliance of the Novi Community School District, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Novi Community School District, Michigan's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Novi Community School District, Michigan's management. Our responsibility is to express an opinion on Novi Community School District, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Novi Community School District, Michigan's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Novi Community School District, Michigan's compliance with those requirements.

In our opinion, Novi Community School District, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

DOEREN MAYHEW

Internal Control Over Compliance

The management of Novi Community School District, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered Novi Community School District, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Novi Community School District, Michigan. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Novi Community School District, Michigan. The combining and individual non-major fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.



DOEREN MAYHEW

November 14, 2007
Troy, Michigan

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007**

SECTION I

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not considered to be material weakness(es)? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not considered to be material weakness(es)? Yes X No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 and 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007**

SECTION II

FINDINGS - FINANCIAL STATEMENTS AUDIT

None noted.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007**

SECTION III

FINDINGS - FEDERAL AWARDS AUDIT

None noted.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007**

SECTION IV

FINDING - FEDERAL AWARDS AUDIT

Department of Education

Finding 02-1

Condition

During our testing, we noted that one participant in the special education program did not have a current IEP in their file pursuant to the Michigan Administrative Rules for Special Education, Section R 340.1721d, Rule 21e (2) (b).

Recommendation and Response

We recommended, and the Novi Community School District, Michigan concurred, that current IEP's should be filled out for each participant in the special education program. At the beginning of each school year, the files of all students in the program should be reviewed to verify that the proper documentation was included.

Current Status

No similar findings were noted during the June 30, 2007 audit.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass-Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Program Award/ Amount	Accrued (Deferred) Revenue at 7/1/06	Prior Year Expenditures	Adjustments	Current Year Receipts	Revenue Recognized	Expenditures 7/1/06 - 6/30/07	Accrued (Deferred) Revenue at 6/30/07
<u>U.S. Department of Education - Passed Through Michigan Department of Education</u>									
<u>Title V, Part A - Innovative Education Program Strategies</u>									
070250-0607 Regular	84.298	\$ 1,284	\$ -	\$ -	\$ -	\$ 1,284	\$ 1,284	\$ 1,284	\$ -
Total Title V, Part A - Innovative Education Program Strategies		1,284	-	-	-	1,284	1,284	1,284	-
<u>Title II, Part A - Teacher/Principal Training and Recruiting</u>									
060520-0506 Regular	84.367	125,747	54,552	81,512	-	67,211	12,659	12,659	-
060520-0506 Carryover	84.367	31,575	-	-	-	31,575	31,575	31,575	-
070520-0607 Regular	84.367	125,430	-	-	-	47,017	87,374	87,374	40,357
Total Title II, Part A - Teacher/Principal Training and Recruiting		282,752	54,552	81,512	-	145,803	131,608	131,608	40,357
<u>Title III - Limited English Proficiency</u>									
050580-0405 Carryover	84.365A	21,758	2,210	21,757	-	2,210	-	-	-
060580-0506 Regular	84.365A	109,018	23,990	41,569	-	28,129	4,139	4,139	-
060580-0506 Carryover	84.365A	60,309	-	-	-	-	60,308	60,308	60,308
070580-0607 Regular	84.365A	99,115	-	-	-	-	16,028	16,028	16,028
Total Title III - Limited English Proficiency		290,200	26,200	63,326	-	30,339	80,475	80,475	76,336

See Notes to the Schedule of Expenditures of Federal Awards

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass-Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Program Award/ Amount	Accrued (Deferred) Revenue at 7/1/06	Prior Year Expenditures	Adjustments	Current Year Receipts	Revenue Recognized	Expenditures 7/1/06 - 6/30/07	Accrued (Deferred) Revenue at 6/30/07
U.S. Department of Education - Passed Through Michigan Department of Education - Continued									
Federal Drug-Free Schools and Communities									
062860-0506 Regular	84.186A	\$ 15,593	\$ 5,206	\$ 14,223	-	\$ 5,206	-	-	-
072860-0607 Regular	84.186A	12,545	-	-	-	12,545	12,545	12,545	-
		28,138	5,206	14,223	-	17,751	12,545	12,545	-
Total Federal Drug-Free Schools and Communities									
Title II - Adult Education and Literacy									
061130-610605	84.002A	48,000	11,484	47,247	-	11,484	-	-	-
071130-710606	84.002A	47,300	-	-	-	27,348	39,250	39,250	11,902
		95,300	11,484	47,247	-	38,832	39,250	39,250	11,902
Total Title II - Adult Education and Literacy									
English Literacy and Civics Education									
061120-6500625	84.002A	19,300	6,812	19,300	-	6,812	-	-	-
061120-6500624	84.002A	10,000	-	-	-	6,504	9,221	9,221	2,717
071120-7500625	84.002A	17,200	-	-	-	16,070	16,382	16,382	312
		46,500	6,812	19,300	-	29,386	25,603	25,603	3,029
Total English Literacy and Civics Education									

See Notes to the Schedule of Expenditures of Federal Awards

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass-Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Program Award/ Amount	Accrued (Deferred) Revenue at 7/1/06	Prior Year Expenditures	Current Year Receipts	Revenue Recognized	Expenditures 7/1/06 - 6/30/07	Accrued (Deferred) Revenue at 6/30/07
U.S. Department of Education - Passed Through Michigan Department of Education - Continued								
Emergency Impact Aid - Hurricane Katrina Relief								
064120-1	84.938	\$ 4,713	\$ 4,713	\$ 4,713	\$ 4,713	\$ -	\$ -	\$ -
064120-NONP	84.938	8,455	8,455	8,455	-	-	-	-
064120-1	84.938	1,743	-	-	1,775	1,775	1,775	-
064120-NONP	84.938	1,620	-	-	1,588	1,588	1,588	-
Total Emergency Impact Aid - Hurricane Katrina Relief								
		16,531	13,168	13,168	16,531	3,363	3,363	-
Service Provider Self Review								
070440-0607	84.027A	5,000	-	-	-	4,837	4,837	4,837
Total Service Provider Self Review								
		5,000	-	-	-	4,837	4,837	4,837
Total U.S. Department of Education - Passed Through Michigan Department of Education								
		765,705	117,422	238,776	279,926	298,965	298,965	136,461

See Notes to the Schedule of Expenditures of Federal Awards

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Program Title/Grantor's Number	Federal CFDA Number	Program Award/ Amount	Accrued (Deferred) Revenue at 7/1/06	Prior Year Expenditures	Adjustments	Current Year Receipts	Revenue Recognized	Expenditures 7/1/06 - 6/30/07	Accrued (Deferred) Revenue at 6/30/07
<u>U.S. Department of Education - Passed Through Michigan Department of Education - Passed Through Local Education Agency</u>									
050260	84.184E	\$ 26,439	\$ -	\$ -	\$ -	\$ 17,871	\$ 17,871	\$ 17,871	\$ -
Total U.S. Department of Education - Passed Through Michigan Department of Education - Passed Through Local Education Agency									
		26,439	-	-	-	17,871	17,871	17,871	-
<u>U.S. Department of Education - Passed Through Michigan Department of Education - Passed Through Oakland County Intermediate School District</u>									
060450 Flowthrough	84.027	902,396	261,198	902,396	-	261,198	-	-	-
060460 Preschool	84.173	29,907	105	29,907	-	105	-	-	-
070450 Flowthrough	84.027	913,584	-	-	-	543,467	913,584	913,584	370,117
070460 Preschool	84.173	30,791	-	-	-	29,440	30,791	30,791	1,351
Total Federal Assistance for the Education of Handicapped Education of Handicapped Persons - Special Education									
		1,876,678	261,303	932,303	-	834,210	944,375	944,375	371,468

See Notes to the Schedule of Expenditures of Federal Awards

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass-Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Program Award/ Amount	Accrued (Deferred) Revenue at 7/1/06	Prior Year Expenditures	Adjustments	Current Year Receipts	Revenue Recognized	Expenditures 7/1/06 - 6/30/07	Accrued (Deferred) Revenue at 6/30/07
<u>U.S. Department of Education - Passed Through Michigan Department of Education - Passed Through Oakland County Intermediate School District - Continued</u>									
063520-601218 Regular	84.048	\$ 29,297	\$ 11,597	\$ 25,691	-	\$ 11,597	\$ -	\$ -	\$ -
073520-701218 Regular	84.048	30,872	-	-	-	23,261	27,634	27,634	4,373
Total Vocational Education - Basic Grants to States (Perkins III)		60,169	11,597	25,691	-	34,858	27,634	27,634	4,373
<u>Total U.S. Department of Education - Passed Through Michigan Department of Education - Passed Through Oakland County Intermediate School District</u>									
		1,936,847	272,900	957,994	-	869,068	972,009	972,009	375,841
Total U.S. Department of Education		2,728,991	390,322	1,196,770	-	1,166,865	1,288,845	1,288,845	512,302

See Notes to the Schedule of Expenditures of Federal Awards

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass-Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Program Award/ Amount	Accrued (Deferred) Revenue at 7/1/06	Prior Year Expenditures	Adjustments	Current Year Receipts	Revenue Recognized	Expenditures 7/1/06 - 6/30/07	Accrued (Deferred) Revenue at 6/30/07
<u>U.S. Department of Health and Human Services - Passed Through Michigan Department of Community Health</u>									
<u>Medicare Catastrophic Coverage Act</u>									
0506 Transportation	93.778	\$ 2,165	\$ 1,974	\$ 2,165	\$ -	\$ 1,974	\$ -	\$ -	\$ -
0607 Transportation	93.778	2,080	-	-	-	953	2,081	2,081	1,128
Total U.S. Department of Health and Human Services - Passed Through Michigan Department of Community Health									
		4,245	1,974	2,165	-	2,927	2,081	2,081	1,128
<u>U.S. Department of Agriculture - Passed Through Michigan Department of Education</u>									
National School Breakfast Program 05-06	10.553	2,342	210	2,342	-	210	-	-	-
National School Lunch Program 05-06	10.555	129,974	24,997	129,974	-	24,997	-	-	-
National School Breakfast Program 06-07	10.553	3,313	-	-	-	2,638	3,313	3,313	675
National School Lunch Program 06-07	10.555	138,001	-	-	-	112,105	138,001	138,001	25,896
Donated Food Commodities - Entitlement	10.550	70,514	-	-	-	70,514	70,514	70,514	-
Total U.S. Department of Agriculture - Passed Through Michigan Department of Education									
		344,144	25,207	132,316	-	210,464	211,828	211,828	26,571
Total all programs									
		\$ 3,077,380	\$ 417,503	\$ 1,331,251	\$ -	\$ 1,380,256	\$ 1,502,754	\$ 1,502,754	\$ 540,001

See Notes to the Schedule of Expenditures of Federal Awards

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance and federal cost-reimbursement contracts of the Novi Community School District, Michigan. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual cost reports. Novi Community School District, Michigan receives federal awards indirectly through pass-through entities.

Except for the current year receipts column, which is presented on the cash basis of accounting, federal program expenditures included in the accompanying schedule are presented on the modified accrual basis of accounting. The modified accrual basis of accounting is also used for the general purpose financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Inventory values are based on the USDA value for donated food commodities. Reported commodity receipts values were computed using the Recipient Entitlement Balance Report and other district records. Spoilage or pilferage, if any, is included in expenditures.

Note 2 - Major Programs

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

Note 3 - Form R1720

Management has utilized the Grant Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. The amounts on the R7120 are included on the Schedule of Expenditures of Federal Awards.

**NOVI COMMUNITY SCHOOL
DISTRICT, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS
MEMORANDUM**

JUNE 30, 2007



DOEREN MAYHEW
Certified Public Accountants and Consultants
75TH ANNIVERSARY

November 14, 2007

Members of the Board of Education
Novi Community School District, Michigan
25345 Taft Road
Novi, Michigan 48374-2423

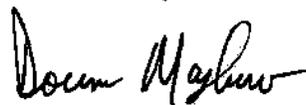
Dear Board Members:

We have recently completed an audit of the financial statements of the Novi Community School District, Michigan for the year ended June 30, 2007. Our audit was made primarily for the purpose of expressing our opinion on these statements and, accordingly, did not encompass a detailed review of systems, procedures and internal controls.

We would like to compliment the business office for the excellent job that they have done this past year. We completed the audit with a minimum of adjustments and enjoyed working again with your highly professional staff. However, during our audit, we observed certain areas where we believe improvements can be effected, and we offer the enclosed comments and recommendations memorandum for your review.

The accompanying memorandum is not based upon a complete survey of all phases of operating and executive controls; it does, however, direct attention to certain areas which we believe to be especially worthy of the Board's consideration. We appreciate that the ultimate objective of the Board of Education is to achieve maximum control at a minimum cost. We believe that consideration of the recommendations enumerated in this memorandum are compatible with that objective.

After you have reviewed our recommendations, we will be pleased to discuss the contents with you and to assist in the implementation or correction of any items set forth herein.



DOEREN MAYHEW

- 1 -

COMMENTS AND RECOMMENDATIONS

Review of Supporting Schedules

Findings:

During our audit procedures, we noted inaccurate information was included in the supporting schedules of general ledger balances.

Recommendation:

We recommend that the details of supporting schedules be reviewed regularly for accuracy. This procedure is a necessary component of effective internal controls over the accounting procedures.